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Department of State

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TRSE-00 USIE-00 DRC-01 SSO-00 INRE-00 /052 #
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FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC IMMEDIATE 0521

C O N F I D E N T I A L SECTION 1 OF 2 TRIPOL

LIMDIS

E.O. 11652: XDS

CAGS: ENRGLY

SUBJECT: OIL COMPANY NATIONALIZATION

SUMMARY: HAVING ACHIEVED ITS OVERRIDING AIM OF "CONTROL"
OVER THE OIL COMPANIES, THE LARG CONCEIVABLY MAY BE
WILLING TO COMPROMISE ON SOME OF ITS OTHER IMPOSITIONS ON
THEM. [REDACTED] THERE IS

CONSIDERABLE EVIDENCE THAT THE MINISTRY OF PETROLEUM IS
VERY ANXIOUS FOR THE COMPANIES TO REMAIN AND HELP PRODUCE
AND SELL OIL. THE RCC ATTITUDE, WHICH ALONE COUNTS, IS
UNPREDICTABLE--BUT IT WOULD SEEM WISE FOR THE COMPANIES,
WHETHER OR NOT THEY ARE UNWILLING TO LIVE WITH 51 PER
CENT NATIONALIZATION EVEN IF OTHER CONDITIONS ARE ACCEPTABLE,
TO MAKE A FINAL EFFORT TO OBTAIN ADEQUATE COMPENSATION;
SUGGEST THAT FOR A FEW DAYS WE AVOID MAKING A PUBLIC
STATEMENT, IN THE INTEREST OF COMPANIES THEMSELVES UNLESS
THEY HAVE ACTUALLY LOST ALL HOPE OF EITHER EXTENDING HERE
OR USING THEIR REMAINING LEVERAGE TO SECURE COMPENSATION.

SITUATION. AS WE UNDERSTAND IT, [REDACTED]
[REDACTED] THERE IS STILL SOME FLUIDITY. OVER FIRST
WEEK OF 51 PER CENT NATIONALIZATION A TEMPORARY MODUS VIVENDI
EMERGED BETWEEN THE COMPANIES AND THE LARG AT THE CRITICAL POINT.
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DEPARTMENT OF STATE

REVIEWED BY

DATE 12/24/8

REVIEWED BY XDS DATE

TS AUTH. REASON(S)

ENDORSE EXISTING MARKINGS

DECLASSIFIED RELEASABLE

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B: A9: B5

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THE LOADING OF TANKERS. COMPANIES INDICATED THEY WOULD NOT SHIP CRUDE DOCUMENTED AS BELONGING TO NCC, AND LARG HAS LET THEM SHIP CRUDE WITHOUT SUCH DOCUMENTATION. ASSUME THIS IS ONLY PRO TEMPORE AND BASED ON FACT THAT ACCORDING TO NATIONALIZATION DECREE THERE WOULD BE A MONTH'S TRANSITION PERIOD; LARG RATIONALIZATION MAY BE THAT THERE NO POINT IN HARRING EXPORT OF COMPANIES' 49 PER CENT FOR THE MONTH, SO LONG AS BY END OF MONTH THEY ALSO SHIP THE LARG'S 51 PER CENT. THIS MEANS THAT ABOUT SEPTEMBER 15 THERE IS A DEADLINE IN LARG EYES FOR COMPANIES TO AGREE TO SHIP THE LARG'S SHARE. HOWEVER, THIS HAS NOT BEEN MADE EXPLICIT.

3. WHAT HAS BEEN MADE EXPLICIT IS AS FOLLOWS:



THIS AT LEAST CLARIFIES A POINT THAT HAS BEEN OF SOME SPECULATION HERE, AND REINFORCES THE THEORY THAT THE PRESENT MODUS VIVENDI PROBABLY WILL NOT LAST BEYOND THE END OF THIS WEEK.)



HE LEFT WITH THE ABOVE INFO FROM HIS COLLEAGUES AND PERSUADED THAT PERHAPS, AS THEY TOO FEEL, SOMETHING MIGHT YET BE WORKED OUT WHEREBY THE COMPANIES WRITE THEIR OWN TICKET APART FROM THE 51 PER CENT ANGLE. FOR VARIOUS GOOD REASONS THEY ARE NOT SANGUINE, BUT ALL WERE IMPRESSED BY MABROUK'S INITIATIVE AND EVIDENT PERSONAL DESIRE TO AVOID A COMPLETE BREAK RESULTING IN

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LAW SUITS AGAINST HOT OIL AND A SUDDEN DEPARTURE OF COMPANY EXPATRIATES. (THIS LATTER MIGHT WELL WEIGH HEAVILY ON MABRUK'S MIND AS THE NOC IS BY ALL REPORTS IN NO SHAPE TO OPERATE ANY OF THE AMERICAN MAJORS' PROPERTIES. [REDACTED] REPORTS THAT THE NOC CHAIRMAN QUIT AGAIN ON SEPTEMBER 2 AS A RESULT OF TROUBLE WITH HIS COMMITTEE AND POSSIBLY ALSO BECAUSE HE KNEW HIS ORGANIZATION INCAPABLE OF ASSUMING NEW DUTIES.)

B1.

4. VERY DIFFICULT FOR US TO ASSESS CHANCES OF ANY LAST-MINUTE FLEXIBILITY ON LARGE PART THAT COULD LEAD TO A SETTLEMENT, EXCEPT ON THE BASIS OF SOME GENERAL PRINCIPLES DRAWN FROM EXPERIENCE BUT WHICH MAY NOT APPLY FULLY IN THIS CASE: A) MABRUK FREQUENTLY PLAYS ROLE OF THE REASONABLE MAN, ONLY TO BE OVERRULED LATER BY THE RCC. BUT WHILE HE IS DOING SO, THE RCC MAY BE GENUINELY UNDECIDED HOW IT WILL COME DOWN. C) THIS IS PARTICULARLY SO IF IT IS PREOCCUPIED, AS RECENTLY WITH SEVERAL MEMBERS AT ALGIERS, ETC. D) WHILE QADHAFI CLEARLY WANTS TO FORCE THE PACE OF NATIONALIZATIONS BEYOND WHAT HIS TECHNICAL ADVISORS TELL HIM IS FEASIBLE IN TERMS OF LOCAL MANAGERIAL TALENT, HE HAS SO FAR AVOIDED ANY COMPLETE MANAGERIAL DISASTER. E) SUDDEN WITHDRAWAL OF THE AMERICAN MAJORS' CAREER PERSONNEL WOULD REPRESENT AN UNPRECEDENTED AND POSSIBLY UNACCEPTABLE MANAGERIAL CRISIS FOR THE RCC AT A TIME WHEN THE POPULAR COMMITTEES ARE CAUSING COMPLAINTS. F) IT IS CONCEIVABLE THAT IF QADHAFI THINKS OTHERWISE, HE MAY NOT BE ABLE TO TAKE THE REST OF THE RCC ALONG WITH HIM ON THIS ONE. G) IF SO, EITHER SIDE MAY "WIN" THE ARGUMENT-- PROBABLY QADHAFI, BUT NOT NECESSARILY.

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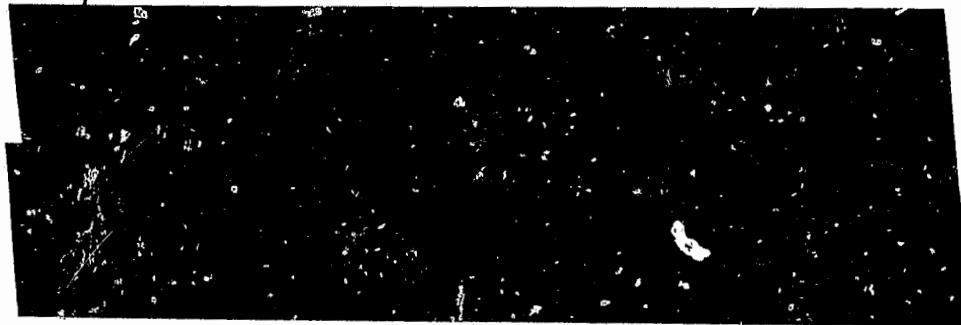
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LIMDIS

B. IN SHORT, WE MUST ON GENERAL GROUNDS BE SCEPTICAL
THAT ANY DEAL CAN YET BE WORKED OUT, BUT NEITHER CAN
WE BE SURE OF EXACT RESULTS IF THE COMPANIES MAKE

A PROPOSAL ACCEPTING 51 PER CENT BUT OTHERWISE DRAWN TO
THEIR LIKING. MOREOVER, WE DO NOT HAVE THE DEPT'S FEEL
FOR THE TONOR OF THINKING AT THE MAJORS'
HEADQUARTERS, PARTICULARLY TO WHAT EXTENT THE MAJORS' MAY
BE PREPARED TO LIVE WITH SOMETHING HERE THAT WOULD
HAVE TO BE EXPLAINED IN THE GULF.



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